

Department of Insurance, Securities, and Banking

www.disb.dc.gov

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Description	FY 2009 Actual	FY 2010 Approved	FY 2011 Proposed	% Change from FY 2010
Operating Budget	\$15,263,538	\$16,327,004	\$16,673,884	2.1
FTEs	98.5	111.0	113.8	2.5

The mission of the Department of Insurance, Securities, and Banking (DISB) is to provide fair, efficient, and fast regulatory supervision of the financial services activities for the protection of the people of the District of Columbia and to create conditions that will attract and retain insurance and financial services firms to the District of Columbia.

Summary of Services

DISB regulates the following financial service entities: (1) insurance companies, insurance producers, health maintenance organizations, captive insurance companies, and risk retention groups; (2) investment advisers, broker-dealers, securities issuers, and agents of issuers; and (3) District chartered banks, mortgage lenders and brokers, check cashers, money transmit-

ters, consumer-sales-finance companies, money lenders, and consumer-credit-service organizations. DISB provides consumer protection and education services to District residents with respect to the financial services companies.

The agency's FY 2011 proposed budget is presented in the following tables:

FY 2011 Proposed Gross Funds Operating Budget, by Revenue Type

Table SR0-1 contains the proposed FY 2011 agency budget compared to the FY 2010 approved budget. It also provides FY 2008 and FY 2009 actual expenditures.

Table SR0-1

(dollars in thousands)

Appropriated Fund	Actual FY 2008	Actual FY 2009	Approved FY 2010	Proposed FY 2011	Change from FY 2010	Percent Change*
General Fund						
Special Purpose Revenue Funds	14,651	15,204	16,327	16,674	347	2.1
Total for General Fund	14,651	15,204	16,327	16,674	347	2.1
Intra-District Funds						
Intra-District Funds	50	60	0	0	0	N/A
Total for Intra-District Funds	50	60	0	0	0	N/A
Gross Funds	14,701	15,264	16,327	16,674	347	2.1

*Percent Change is based on whole dollars.

Note: If applicable, for a breakdown of each Grant (Federal and Private), Special Purpose Revenue type and Intra-District agreement, please refer to **Schedule 80 Agency Summary by Revenue Source** in the **Operating Appendices** located on the Office of the Chief Financial Officer's website.

FY 2011 Proposed Full-Time Equivalents, by Revenue Type

Table SR0-2 contains the proposed FY 2011 FTE level compared to the FY 2010 approved FTE level by revenue type. It also provides FY 2008 and FY 2009 actual data.

Table SR0-2

Appropriated Fund	Actual FY 2008	Actual FY 2009	Approved FY 2010	Proposed FY 2011	Change from FY 2010	Percent Change
General Fund						
Special Purpose Revenue Funds	107.5	98.5	111.0	113.8	2.8	2.5
Total for General Fund	107.5	98.5	111.0	113.8	2.8	2.5
Total Proposed FTEs	107.5	98.5	111.0	113.8	2.8	2.5

FY 2011 Proposed Operating Budget, by Comptroller Source Group

Table SR0-3 contains the proposed FY 2011 budget at the Comptroller Source Group (object class) level compared to the FY 2010 approved budget. It also provides FY 2008 and FY 2009 actual expenditures.

Table SR0-3

(dollars in thousands)

Comptroller Source Group	Actual FY 2008	Actual FY 2009	Approved FY 2010	Proposed FY 2011	Change from FY 2010	Percent Change*
11 - Regular Pay - Cont Full Time	8,751	8,551	9,220	9,471	250	2.7
12 - Regular Pay - Other	317	261	0	361	361	N/A
13 - Additional Gross Pay	63	209	113	113	0	0.0
14 - Fringe Benefits - Current Personnel	1,641	1,617	1,550	1,789	240	15.5
15 - Overtime Pay	7	11	45	21	-24	-53.5
Subtotal Personal Services (PS)	10,779	10,649	10,928	11,756	827	7.6
20 - Supplies and Materials	47	54	75	75	0	-0.3
31 - Telephone, Telegraph, Telegram, Etc.	78	72	85	85	0	0.0
32 - Rentals - Land and Structures	1,655	1,930	2,129	1,621	-508	-23.9
35 - Occupancy Fixed Costs	0	0	12	0	-12	-100.0
40 - Other Services and Charges	797	971	1,251	1,357	106	8.4
41 - Contractual Services - Other	142	88	97	81	-15	-15.8
50 - Subsidies and Transfers	1,017	984	1,097	1,097	0	0.0
70 - Equipment and Equipment Rental	186	516	652	602	-50	-7.7
Subtotal Nonpersonal Services (NPS)	3,922	4,615	5,399	4,918	-480	-8.9
Gross Funds	14,701	15,264	16,327	16,674	347	2.1

*Percent Change is based on whole dollars.

Division Description

The Department of Insurance, Securities, and Banking operates through the following 7 divisions:

Insurance Bureau - monitors the financial solvency of insurance companies operating in the District of Columbia; issues licenses to insurance companies, insurance producers, and related entities; resolves consumers complaints; approves rates and policy forms of insurance products marketed in the District; and monitors underwriting, policy holder services, claims, marketing, producer licensing, and the complaint handling processes of licensed insurers.

This divisions contains the following 7 activities:

- **Forms Analysis** - reviews all types of insurance

and Health Maintenance Organizations policy forms and actuarial memoranda to determine whether they conform to District insurance laws and regulations;

- **Market Conduct** - conducts examinations and analysis of all types of insurance companies and Health Maintenance Organizations to determine whether the underwriting, policyholder service, claims, marketing and sales, producer licensing, and complaint handling processes are in compliance with District Code and NAIC examination standards;
- **Consumer Services** - accepts and resolves consumer complaints against insurance companies and producers;
- **Professional Services** - governs the licensing of insurance companies, fraternal benefit organiza-

tions, insurance producers, insurance agencies and premium finance companies as well as Health Maintenance Organizations operating in the District of Columbia and is responsible for planning and implementing the comprehensive pre-licensing and continuing education programs for insurance agents and brokers;

- **Financial Regulatory** - provides solvency and compliance monitoring, rate approval, and technical assistance for the insurance industry, other regulators, and the public so that there is a viable insurance market in the District;
- **Actuarial Analysis** - analyzes rating rules, rate manuals and rating schedules issued by insurance companies and Health Maintenance Organizations, and conducts actuarial and statistical analysis of rate increase requests, maintaining a database for claims and investment experience; and
- **Health Maintenance Organization (HMO)** - provides solvency and compliance monitoring, rate approval, and technical assistance for the HMO industry, other regulators, and the public so that there is a viable managed care insurance market in the District.

Securities Bureau - administers all regulatory activities of stock and investment firms in the District of Columbia to proactively protect District of Columbia residents against malpractice and fraud by securities professionals.

This division contains the following 3 activities:

- **Corporate Finance** - provides effective review and analysis about certain securities offerings to investors so that they can receive full disclosure as required by the District Code;
- **Securities Examinations** - provides public information, performs examinations of financial condition and regulatory compliance of securities firms and their representatives so that they can have effective measures for achieving compliance with the District Code; and
- **Securities Licensing** - provides for licensing and registration services for securities professionals so that they are in compliance with the District Code.

Banking Bureau - regulates all District-chartered banks and other financial institutions licensed to do business in the District of Columbia, including non-traditional financial services such as money transmitters, check casher operations, and automated teller machines.

This division contains the following 2 activities:

- **Examinations** - provides chartering, examination and enforcement services pertaining to District chartered banks and District licensed non-depository financial institutions so that they can provide expanded and equitable financial services to consumers and comply with applicable District law and regulations; and
- **Licensing** - provides licensing and enforcement services to District non-depository financial institutions so that they can provide expanded and equitable financial services to consumers and comply with applicable District law and regulations.

Risk Finance Bureau - markets the District as an attractive jurisdiction for the formation of captive insurance companies and maintains regulatory oversight of captive insurers and certified capital companies (CAPCOs) that operate or plan to do business in the District of Columbia.

This division contains the following activity:

- **Financial Analysis** - provides solvency and compliance monitoring, technical assistance to other regulators, and licenses to captive insurance companies and risk retention groups.

Enforcement and Investigation Bureau - directs well-designed programs to detect and to provide prompt assistance in the prosecution of fraudulent financial operations and services for residents and businesses in the District of Columbia.

This division contains the following 2 activities:

- **Enforcement** - provides regulatory guidance, training, data analysis and reporting guidelines for securities/insurance entities, DISB, and other jurisdictions so that they can be in compliance with insurance and securities requirements; and
- **Investigations** - provides investigations and remedies to individuals, insurance, securities and banking entities and other jurisdictions in order to prevent, detect, and prosecute insurance, securities and banking fraudulent activities.

Agency Management - provides for administrative support and the required tools to achieve operational and programmatic results. This division is standard for all agencies using performance-based budgeting.

Agency Financial Operations - provides comprehensive and efficient financial management services to, and on behalf of, District agencies so that the financial integrity of the District of Columbia is maintained. This division is standard for all agencies using performance-based budgeting.

Program/Division Structure Changes

In FY 2011, the agency will convert to division-based budgeting. The proposed division/program structure changes are provided in the Agency Realignment appendix to the proposed budget, which is located at www.cfo.dc.gov on the Annual Operating Budget and Capital Plan page.

FY 2011 Proposed Operating Budget and FTEs, by Division and Activity

Table SR0-4 contains the proposed FY 2011 budget by division and activity compared to the FY 2010 approved budget. It also provides FY 2009 actual data.

Table SR0-4

(dollars in thousands)

Division/Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2009	Approved FY 2010	Proposed FY 2011	Change from FY 2010	Actual FY 2009	Approved FY 2010	Proposed FY 2011	Change from FY 2010
(1000) Agency Management								
(1010) Personnel	123	91	85	-6	1.1	1.0	1.0	0.0
(1017) Labor Partnership	71	62	67	5	1.0	1.0	1.0	0.0
(1040) Office of Information Technical and Support	921	993	1,045	52	9.8	13.0	13.0	0.0
(1055) Risk Management	559	447	578	131	4.1	4.0	5.0	1.0
(1080) Public Affairs	389	301	317	16	3.7	3.0	3.0	0.0
(1090) Performance Management	409	447	427	-20	3.7	4.0	3.0	-1.0
(1095) Consumer Protection	0	0	259	259	0.0	0.0	3.0	3.0
Subtotal (1000) Agency Management Program	2,473	2,341	2,778	438	23.3	26.0	29.0	3.0
(100F) Agency Financial Operations								
(110F) Budget Operation	116	106	121	15	1.0	1.0	1.0	0.0
(120F) Accounting Operations	254	329	379	51	2.6	4.0	4.0	0.0
(130F) ACFO	159	155	165	11	1.0	1.0	1.0	0.0
Subtotal (100F) Agency Financial Operations	529	589	666	76	4.5	6.0	6.0	0.0
(2000) Insurance Program								
(2010) Insurance Products	3,094	3,718	0	-3,718	10.7	11.0	0.0	-11.0
(2020) Consumer and Professional Licensing	1,020	1,056	0	-1,056	10.3	11.0	0.0	-11.0
(2030) Financial Examination	809	950	0	-950	7.1	9.0	0.0	-9.0
(2040) Forms Analysis	0	0	3,005	3,005	0.0	0.0	7.0	7.0
(2045) Market Conduct	0	0	487	487	0.0	0.0	4.0	4.0
(2050) HMO	621	443	481	38	3.4	3.0	2.0	-1.0
(2055) Consumer Services	0	0	666	666	0.0	0.0	7.0	7.0
(2060) Professional Services	0	0	469	469	0.0	0.0	5.0	5.0
(2065) Financial Regulatory	0	0	617	617	0.0	0.0	5.8	5.8
(2070) Actuarial Analysis	0	0	404	404	0.0	0.0	4.0	4.0
Subtotal (2000) Insurance Program	5,545	6,166	6,129	-37	31.6	34.0	34.8	0.8
(3000) Securities Program								
(3010) Corporate Finance	1,605	1,632	1,608	-24	5.4	5.5	5.5	0.0
(3020) Securities Examination	560	554	596	42	5.0	5.2	5.2	0.0
(3030) Securities Licensing	394	407	441	34	3.4	4.2	4.2	0.0
Subtotal (3000) Securities Program	2,559	2,593	2,645	52	13.7	15.0	15.0	0.0

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Table SR0-4 (Continued)

(dollars in thousands)

Division/Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2009	Approved FY 2010	Proposed FY 2011	Change from FY 2010	Actual FY 2009	Approved FY 2010	Proposed FY 2011	Change from FY 2010
(4000) Enforcement Program								
(4010) Compliance	196	199	0	-199	1.4	1.5	0.0	-1.5
(4020) Investigative	742	763	0	-763	7.0	7.5	0.0	-7.5
(4050) Enforcement	0	0	301	301	0.0	0.0	2.5	2.5
(4060) Investigations	0	0	699	699	0.0	0.0	6.5	6.5
Subtotal (4000) Enforcement Program	938	962	1,000	38	8.4	9.0	9.0	0.0
(5000) Banking								
(5010) Depository	1,632	330	0	-330	6.4	2.5	0.0	-2.5
(5020) Non Depository	331	1,914	0	-1,914	4.0	10.5	0.0	-10.5
(5055) Examination	0	0	1,710	1,710	0.0	0.0	7.5	7.5
(5060) Licensing	0	0	426	426	0.0	0.0	5.5	5.5
Subtotal (5000) Banking	1,964	2,244	2,136	-108	10.4	13.0	13.0	0.0
(6000) Risk Finance								
(6010) Compliance	697	785	0	-785	2.0	2.0	0.0	-2.0
(6020) Financial Analysis	560	646	1,319	673	4.6	6.0	7.0	1.0
Subtotal (6000) Risk Finance	1,257	1,431	1,319	-112	6.6	8.0	7.0	-1.0
Total Proposed Operating Budget	15,264	16,327	16,674	347	98.5	111.0	113.8	2.8

(Change is calculated by whole numbers and numbers may not add up due to rounding)

Note: For more detailed information regarding the proposed funding for the activities within this agency's programs, please see **Schedule 30-PBB Program Summary By Activity** in the **FY 2011 Operating Appendices** located on the Office of the Chief Financial Officer's website.

FY 2011 Proposed Budget Changes

DISB is funded entirely through Special Purpose Revenue funds. Cost savings in the Special Purpose Revenue fund were achieved by fiscal restraint and rightsizing discretionary spending. More specifically, savings were achieved in a number of areas including reducing nonpersonal spending by \$216,000 across multiple programs, reducing contractual spending by \$35,000, decreasing expenditures on securities/banking publications and trade associations by \$20,000, cutting back on training by \$10,000, and decreasing the budget for equipment and software upgrades by \$203,000.

DISB will transfer out procurement and human resources assessments cost of \$119,000 to the Office of Contracting and Procurement (OCP) and the D.C.

Department of Human Resources (DCHR). In addition, 1.8 Consumer Protection positions were transferred into DISB from DCRA at \$152,000 and 1 Policy Analyst position from the Office of Risk Management at \$123,000. There was also an intra-agency adjustment of \$219,000 made to Special Purpose Revenue fund to fully fund existing positions.

In the face of budget shortfall, DISB will not scale back its regulatory oversight of financial services entities operating in the District and consumer protection responsibility. The proposed budget has the necessary resources for sustaining improvements in consumer protection.

FY 2010 Approved Budget to FY 2011 Proposed Budget, by Revenue Type

Table SR0-5 itemizes the changes by revenue type between the FY 2010 approved budget and the FY 2011 proposed budget.

Table SR0-5

(dollars in thousands)

	PROGRAM	BUDGET	FTE
SPECIAL PURPOSE REVENUE FUNDS: FY 2010 Approved Budget and FTE		16,327	111.0
Correct: Adjust personal services budget to fully fund existing positions	Multiple Programs	219	0.0
Cost Increase: Adjust personal services to align with expected expenditures	Multiple Programs	194	0.0
Transfer In: Transfer in 1 Policy Analyst position	Multiple Programs	123	1.0
Reduce: Reduce Contractual Services spending	Multiple Programs	-35	0.0
Reduce: Decrease office support in securities and banking publications and trade associations	Multiple Programs	-20	0.0
Reduce: Decrease spending on training	Multiple Programs	-10	0.0
Transfer Out: Transfer human resources assessments to OCP/DCHR	Multiple Programs	-119	0.0
Reduce: Decrease budget for equipment and software upgrades	Multiple Programs	-203	0.0
Reduce: Reduce overtime expenditures	Multiple Programs	-24	0.0
Reduce: Reduce nonpersonal expenditures	Multiple Programs	-216	0.0
Transfer In: Transfer 1.8 Consumer Protection positions from DCRA	Multiple Programs	152	1.8
Transfer In: Human resources assessments offset to Other Services and Charges	Multiple Programs	119	0.0
Cost Increase: Fleet maintenance assessment change from FY 2010	Multiple Programs	2	0.0
Cost Increase: Adjust Fringe Benefits based on historical growth rate	Multiple Programs	226	0.0
Reduce: Hold salary steps constant	Multiple Programs	-61	0.0
SPECIAL PURPOSE REVENUE FUNDS: FY 2011 Proposed Budget and FTE		16,674	113.8
Gross for SR0 - Department of Insurance, Securities, and Banking		16,674	113.8

Agency Performance Plan

The agency has the following objectives and performance indicators for its Divisions:

1. Office of the Commissioner

Objective 1: Support agency bureaus through effective management.

2. Insurance Bureau

Objective 1: Increase the affordability and availability of health insurance coverage.

Objective 2: Reduce insurance, securities and banking fraud through prevention, detection and enforcement.

Insurance Bureau

Measure	FY 2008 Actual	FY 2009 Target	FY 2009 Actual	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
Number of residents insured by high risk health insurance pool	216	259	259	311	373	448
Number of Medical Malpractice insurance rate filings requests with greater than 10% rate increase	N/A	0	0	0	0	0
Percentage of written insurance complaints resolved within 45 days of receipt	82.4%	80%	90.71%	85%	90%	95%

3. Banking Bureau

Objective 1: Improve consumer confidence in, and increase the availability of, financial services to District residents.

Banking Bureau

Measure	FY 2008 Actual	FY 2009 Target	FY 2009 Actual	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
Percentage of mortgage foreclosure mitigation program participants that avoid foreclosure	85.7%	85%	87%	85%	90%	90%
Percentage of written banking complaints resolved within 45 days of receipt	82.4%	80%	99.4%	85%	90%	95%
Number of customers receiving financial literacy training and consumer protection information*	732	500	1,117	600	700	800
Number of payday loans establishments operating in the District ¹	0	0	0	0	0	0

* Financial Literacy Training is an agency-wide measure and will be noted under more than one bureau. The breakdown of literacy training by bureau is as follows: Insurance: 351, Securities: 184, Banking: 210, Consumer Protection/ Enforcement: 372.

4. Securities Bureau

Objective 1: Improve consumer confidence in, and increase the availability of financial services to District residents.

Securities Bureau

Measure	FY 2008 Actual	FY 2009 Target	FY 2009 Actual	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
Percentage of District – based investment firms examined for compliance within 12 months	29.4%	15%	24%	20%	25%	30%
Percentage of securities notice filings processed within 30 days ²	N/A	N/A	N/A	TBD	TBD	TBD
Number of District residents receiving financial literacy training and consumer protection information	732	500	1,117	600	700	800

5. Enforcement and Investigation Bureau

Objective 1: Reduce insurance, securities and banking fraud through prevention, detection and enforcement.

Enforcement and Investigation Bureau

Measure	FY 2008 Actual	FY 2009 Target	FY 2009 Actual	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
Percentage of open investigative cases reviewed within 90 days for correctness and compliance with investigative procedures	100%	80%	100%	85%	90%	90%
Number of District residents receiving financial literacy training and consumer protection information	732	500	1,117	600	700	800

6. Risk Finance Bureau

Objective 1: Improve consumer confidence in, and increase the availability of, financial services to District residents.

Risk Finance Bureau

Measure	FY 2008 Actual	FY 2009 Target	FY 2009 Actual	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
Percentage of CAPCOs examined annually	N/A	100%	100%	100%	100%	100%
Number of Captive Insurance Company applications processed within 30 days of receipt	N/A	N/A	N/A	16	20	24
Percentage of financial examinations and analyses completed annually on Captive Insurance Companies	N/A	N/A	N/A	100%	100%	100%

CAPCO: Certified Capital Company

Performance Plan Endnotes:

1. The “Payday Loan Consumer Protection Amendment Act of 2007” prohibits payday lending in the District.
2. Formerly “Number of Securities notice filings processed within 30 days,” this measure was edited by DISB because the Securities Bureau has no control over the number of notice filings presented. The demand for securities notice filings directly correlates to the demand for selling activity initiated by the issuers of securities. However, the Bureau does have control over how fast these filings are processed once they are received.

